

## **ARCLIN'S PRESENTATION TO THE CALIFORNIA AIR RESOURCES BOARD**

### **Airborne Toxic Control Measure Workshop**

Sacramento, CA August 23, 2011

- My name is Claudio D'Ambrosio and I am Chairman, President & CEO of Arclin, a leading North American producer of both decorative melamine overlays and formaldehyde based resins used in the composite panel industry. We are the only North American manufacturer that produce both resins and decorative melamine overlays and have devoted significant resources to give our customers the solutions they need to meet or even exceed regulatory emission standards in a very cost effective and innovative manner.
- As a member of the Composite Panel Association we are proud to have been a key industry participant, that along with all of the leading composite panel board producers, the North American industry has voluntarily reduced formaldehyde emissions by 80% to 90% over the last three decades. We will continue to be a major innovator of sustainable resins and overlays for the composite panel industry.
- We support an open and constructive discussion on the subject matter being discussed today and this CARB workshop certainly contributes to this process. Thank you for this opportunity.
- We also believe in the fundamental principle that commercial products require the appropriate regulations to ensure the health and safety of the consumer. Although this next point is related to OSHA jurisdiction, we believe it is important to be considered as well. Other stakeholders such as the composite panel producer also need to be considered especially with respect to the protection of their workers from the health effects of the particular adhesive technology being used in the

production of composite panels. In other words, both consumers and the factory worker need the appropriate protection through effective product selection and responsible stewardship.

- This approach of regulatory oversight and supporting rules to protect the stakeholders should be based on fair and balanced assessment of the latest scientifically validated evidence. Consequently, we recommend that CARB II emission levels, which are the lowest legislated standards in the world, are sufficiently stringent to adequately protect the consumer. Parties that want to market products below CARB II levels should be pursuing this as a voluntary business strategy, as formaldehyde emission levels presently at the CARB II performance standard are, in North American practice, encroaching formaldehyde levels found emitting from natural wood and further regulation would be superfluous to consumer safety.
- We also support the basis of a credible and robust enforcement program for CARB II coupled with the third party certification process. For increased credibility, we recognize an urgent need for governance of the Third Party Certifiers (TPCs) through a global governance entity or a credible process. In this day of significant debt reduction pressures and resultant austerity programs for public agencies, we respectfully question the ability for the California Air Resources Board to supply the necessary resources to effectively monitor and ensure compliance of the 36 TPCs and the 900 certified mills worldwide given that 86% or approximately 775 mills are located outside of North America. To emphasize this point of ensuring program integrity and most importantly, a level playing field.....we have all witnessed violations of North American regulations by questionable off-shore compliance programs. For example, within the past few years, a large number of imported

small engines have not meet EPA certification requirements under the Clean Air Act. Uncertified engines can emit air pollutants at levels as much as 30% above EPA standards. In 2008, 49 enforcement actions were taken by EPA and Customs and Border Protection to stop engines and equipment that do not comply with the Clean Air Act from entering the United States, including a settlement with a Taiwanese manufacturer and three American corporations concerning 200,000 chainsaws imported into the United States that failed to meet federal air pollution standards. There are similar non-compliant cases - be they refrigerant gases, pesticides, pet food ingredients, steel products or heavy metal containing children's toys. My point is that well governed regulations pertaining to global producers require significant resources to ensure compliance – and this clearly means working through federal agencies such as the EPA and Customs and Border Protection to ensure public safety is maintained.....and delivered in a productive, cost efficient manner. To reiterate, we believe CARB II emission standards are appropriate.....but robust, statistically reliable TPCs testing protocol and overall credible governance coupled with strict effective global enforcement are the key factors to ensure compliance. As Angela Csondes of the California Air Resources Board mentioned this morning, part of the solution for governance of TPCs could be the adoption of ISO 65 which addresses general requirements for bodies operating product certification systems. We not only strongly recommend the adoption of ISO 65 but more importantly, that ISO 65 be part of the regulations. ISO 65 was developed by the ISO Committee on Conformity Assessment and its intent is to guide *“specific requirements, the observance of which is intended to ensure that certification bodies operate third-party certification system in a consistent and reliable manner, thereby facilitating their acceptance on a national and international basis and so furthering international trade”*.

- Once again, the rules generated from this process need to be credible for all stakeholders, as simple as possible to administer and firmly applied universally to domestic producers as well as imported products. The reputation of well accepted products such as MDF and particleboard cannot be tarnished by non-compliant imported or for that matter, domestically produced goods.
- We also need to seek synchronicity between State and Federal regulations given that both CARB and the EPA having initiated the rule making process. We and others in the industry would strongly recommend rules convergence between these jurisdictions and also be based on a similar timetable. To this point, I am very pleased to see two representatives from the EPA are with us here today.
- Let me now reference the realities of the economy:
  - North American manufacturers of composite boards are in the deepest downturn known to this industry; a recession for sure..... and for those companies whose products are geared more towards new home construction.....it is an out-and-out depression. The near to mid-term future does not look encouraging at all. There will likely be three or more years before foreclosures, employment and general consumer sentiment returns to more normalized conditions.....and that only to allow an environment that would approach anything near 2/3's of the market demands of the mid-2000's for composite boards – the time period when this program was first initiated.
  - So I ask as firmly as I can to create rules that protect consumers in a manner that seeks a balance of not adding more challenges to an industry that is suffering more than the average industry – in other words, protect the

consumers, protect jobs and the viability of North American composite panel producers.....and ensure to the maximum extent possible, both on-shore and off-shore producers meet all the rules through robust, transparent programs that are build upon the foundation of integrity, credibility, a strong verification process coupled with strict, impactful enforcement.

## **SUMMARY**

**We absolutely want consumers protected:**

- 1. With effective, common state and national rules for all producers to comply with - backed by a well governed verification and enforcement program.**
- 2. Allowing the market to decide the adhesives technologies to be used with the strict application of the current CARB II emissions performance standard.**
- 3. And all rulemaking to be done in a cost efficient manner that will allow companies to comply.....and to remain viable so as to ultimately protect North American jobs.**